report of

The Committee on FARM ASSESSMENT and TAXATION

ONTARIO

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The Committee on FARM ASSESSMENT and TAXATION

ONTARIO

NOVEMBER 1969

November 5, 1969.

The Honourable W. Darcy McKeough,
Minister of Municipal Affairs,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. McKeough:

I take pleasure in submitting herewith the Report of the Committee on Farm Assessment and Taxation.

In limiting the Report to the terms of reference you gave us in your statement of June 5th, the Committee found it imperative to take a pragmatic approach to the problem of farm taxation. Consequently, we have not explored alternative solutions to the extent that we might have, if we had adopted a more theoretical approach.

While we feel that our recommendations provide the most effective solution; we recognize that there is

still a serious problem of low income among many farmers. The complete resolution of that problem must come through a variety of devices as well as adjustment in property tax payments.

Yours sincerely,

A. N. MacKay,
Chairman.

ANMacK:ac

Earl Haslett

J. M. Fraser

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ACKNOWLEDGEMENTS

The Committee wishes to express its appreciation to all those in the Departments of Agriculture and Food, Treasury and Municipal Affairs who assisted us over the past five months. We benefited greatly from their advice and comments as well as from the data they were able to glean from the limited sources of information available to them.

In particular we would like to thank Mr. Fred Hill of the Farm Economics, Co-operatives and Statistics Branch of the Department of Agriculture and Food. His contribution to the work of the Committee covered the gamut from acting as an adviser at our meetings to supervising the research undertaken on our behalf by the Department of Agriculture and Food. Special mention should also be made of Mr. Reg. Hunter of the Assessment Division, in the Department of Municipal Affairs who acted as Secretary, as well as Mr. John MacTavish, also of the Assessment Division, and Mr. Peter Venton of the Fiscal Policy Branch of Treasury, both of whom sat in on most of our meetings and gave us the benefit of their experience. Miss Ann Campana of the Assessment Division who performed all the secretarial duties required by the Committee also merits a special word of thanks.

The research undertaken by the Soil Science Department of the University of Guelph for the Agricultural Rehabilitation and Development Administration Branch of the Department of Agriculture and Food on soil capability was of immense benefit to the Committee. We would like to thank Professors Miller, Hoffman, Lane, and Protz of Guelph for making us aware of the research and its implications for our work, and also Mr. Herb Crown of the Agricultural Rehabilitation and Development Administration Branch for allowing the Committee to make use of the research findings.

For the most part the Committee depended on briefs submitted to other Committees or directly to the Government. We did receive several individual submissions, and to those people we extend our thanks.

Finally we would like to acknowledge all those farm representatives and municipal officials who attended our meetings in London, Pickering and Belleville and gave us their comments on our recommendations.

STATEMENT OF APPOINTMENT

The Minister of Municipal Affairs made the following statement in the Legislature when he appointed the Committee on Farm Assessment and Taxation on June 5, 1969.

"As the Provincial Treasurer, the Honourable C. S. MacNaughton, indicated in the budget white paper, the Reform of Taxation and Government Structure in Ontario, the Province is examining all aspects of provincial and municipal financial relations. He declared, for example, that the Government intends to tax capital gains when a provincial income tax is introduced. He further stated that the Province intends to raise its average level of support for elementary and secondary education to 60 per cent over a three year period, beginning in 1970-71.

"As for municipal taxation, Mr. MacNaughton announced that as of January 1, 1970, the Province will assume responsibility for the administration of real property tax assessment. With the change in administration the Province will devote increased resources to assessment in order to ensure that the entire Province is assessed at market value by the end of 1975. He went on to state that we in the Government realize the need to cushion the impact of market value assessments on certain types of properties and that appropriate measures would be taken.

"One class of property specifically mentioned at some length by the Treasurer was working farms. He said:—

> 'Generally the Government believes that the property tax on working farms should be considerably lower than on non-farm properties because of the limited ability of working farms to pay taxes out of current income.'

"Today, I wish to announce that the Government is taking the first step towards developing a policy for taxing working farms which will be equitable in relation to other classes of property, and will not impose an undue burden on the farm so long as the land remains in agricultural use. I am appointing a Committee, with representation from agriculture and from municipal government as well as my Department and the Department of Agriculture and requesting it to make recommendations to the Government with respect to:

(i) the definition of a working farm;

(ii) the appropriate basis for valuing farms for tax purposes; and

(iii) the manner in which the farms should be taxed.

"The Committee will have the benefit of the Report of the Farm Income Committee, the Report of the Select Committee on Taxation and the Report of the Ontario Committee on Taxation all of which make recommendations regarding assessment and taxation of farms. I would also hope that this Committee will have access to all submissions concerned with farm assessment that were received by the previous committees. In addition, the Committee will have the prerogative to receive further submissions and hear witnesses.

"I am asking the Committee to make its report to the Government by October 1, so that it will be possible for the Legislature to consider legislation based on the Committee's findings by the end of the year. In view of this time limitation I expect the Committee to take a pragmatic approach to the problem and concern itself with recommending solutions. I expect the Committee to make specific recommendations for amending The Assessment Act and not to spend time in defining the problem in conceptual terms or developing the theoretical justification for recommending certain courses of action. Those aspects of the problem and the attendant research have already been covered and it only remains for this committee to reflect that work in concrete legislative proposals."

LIST OF MEMBERS

COMMITTEE ON FARM ASSESSMENT AND TAXATION

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M. R. Sather,
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SUMMARY OF RECOMMENDATIONS

The Committee recommends that preferential tax treatment be given to farm land by means of a reduced assessment. The assessment on farm land should be based on market value subject to a maximum for tax purposes to be determined by the application of a schedule of land value rates. The schedule is based on the soil capability ratings used by the Agricultural Rehabilitation and Development Administration and on the value of farm land as estimated in the 1966 Census of Agriculture. The maximum rate per acre in the schedule will be $200 and the minimum, for wasteland, will be $15 per acre. The farm residence and farm out-buildings will be assessed in the normal manner, that is at their market value, and the total taxable assessment for each farm will be the sum of the three components — land, out-buildings and residence.

In addition to determining the maximum taxable assessment for each farm, the assessor will also determine its market value. There will be many areas of the Province where the market value of a farm will be less than the maximum taxable assessment as determined by the method proposed by the Committee. In such instances the tax base will be the market value.

Since the preferential treatment will be given only to farm land the Committee has defined farm land rather than a working farm or a farmer. Farm land is defined as any land devoted to agriculture, that is, which is producing a farm product. If the property is less than 11 acres in size the gross revenue from the sale of farm products must be at least $2,000 the year prior to the year of assessment or an average of $2,000 per year for the three years prior to the year of assessment.

The Committee also recommends that the maximum taxable assessment on forest land be determined in the same manner as farm land.

Farm land as well as farm residences and farm out-buildings should be taxed at the same rates as residential property. If residences are taxed on a proportion of their assessment, then farms should be taxed on the same proportion. Farm land will be eligible for exemption from certain municipal rates if the land does not directly benefit from the service. This last recommendation simply advocates that the existing provisions of Section 37 of The Assessment Act (Section 31 of Bill 205) be retained.

The Committee realizes that where the taxable assessment of farms is determined by our proposed assessment procedure rather than market value there will be a shift in tax burden to non-farm properties. It is therefore strongly recommended that the Province implement a programme of transfer payment to municipalities in order to cushion the impact of the shift.

INTRODUCTION

> "Generally the Government believes that the property tax on working farms should be considerably lower than on non-farm properties because of the limited ability of working farms to pay taxes out of current income."

When he announced the establishment of the Committee to study farm assessment and taxation the Minister of Municipal Affairs quoted the preceding statement from the Treasurers' White Paper on the **Reform of Taxation and Government Structure in Ontario** and thereby summarized the most widely used reason for providing preferential property tax treatment for farms and farm land, namely a restricted ability to pay taxes. This limitation is most acute in those agricultural areas of the Province located in regions of 'urban shadow'. The problem first appeared in the Metro Toronto area and now covers all of Halton, Peel, York and Ontario Counties. It is also present in varying degrees in almost all townships close to the major cities and towns of the Province. Regardless of location, municipalities where the problem exists have three common characteristics:

(i) land prices reflect the potential value of urban uses and are well above the agricultural value[1] of farm land;

(ii) farm assessment constitutes a relatively small proportion of the municipal tax base;

(iii) the quantity and quality of municipal services provided has led to increased municipal costs with consequent higher municipal tax rates.

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[1]Agricultural value is used synonymously with productive value and reflects actual farm use, farm management and farm product prices as well as physical characteristics such as soil capability and climate.

The Committee would also like to point out some other reasons for giving tax preferences to farm land other than farmers' limited ability to pay. Indeed one has already been alluded to, namely, the restricted benefits that farm land, and farm residents, often receive from municipal services for which they are being taxed. While it is true that farmers are not unique in this regard, it can be argued that in their case the discrepancies are larger or, at the least, more obvious than for other groups of taxpayers. In any event, the combination of limited ability to pay, plus restricted benefits received, does place farmers and farm land in an unusually, if not uniquely, disadvantageous position.

A third rationale for preference which is related to the previous two is a consequence of the restricted property tax base as it is applied in Ontario. Unlike some other jurisdictions, the tax in Ontario is limited to real property and exempts all personal property, intangible as well as tangible. Consequently, the proportion of taxable assets of a working farm is much higher than for other commercial enterprises.

Unlike most enterprises that may increase productivity by adjusting their equipment or labor inputs (which are not taxable at the municipal level), increases in farm productivity are usually associated with improvements in, or additions to, the land and/or buildings which are taxable. There is a direct relationship between increases in farm productivity and increases in property tax liability which is not present, or present to a much lesser degree, in other types of enterprises.

To some extent the exemption of farms from business tax compensates for the higher ratio of taxable assets on farms but it is by no means clear that this exemption is, in fact, an adequate compensation.

The reasons for preference cited to this point might be regarded as fiscal justifications; but it is also possible to support a tax differential on the grounds that it encourages the conservation of natural resources and facilitates efficient land use planning. These arguments cannot be taken too far, as there are more direct measures that can be used to effect both ends.

Nevertheless, to the extent that property taxes do influence decisions pertaining to the conservation and the preservation of open space, an attempt should be made to ensure that the influences are consistent with Provincial policy. It is as a result of this social policy justification for tax preference that the Committee has recommended the inclusion of forestry and woodlands as well as all property that is part of a conservation scheme, in a system of farm tax preferences.

With regard to land conservation it is interesting to note the Report of the Conservation Council of Ontario, **A Report on Land Use,** dated September 1, 1960. The Report dealt with the impact of existing assessment and taxation policies on land use in rural areas on the fringes of urban development. In particular, the Council was of the opinion that a level of taxes "much above . . . those in the average farm community" as well as a "fragmented . . . level of tax collecting" have led to "land forced into idleness, condemned to exploitation farming or else broken up for sale." Again, "if . . . land is to remain in agriculture anywhere near our large cities, and is to be farmed properly, assurance of tax stability is a prerequisite."

Among the recommendations in the Report which bear on our work are the following:

(i) ". . . establishing uniform assessment procedures in (Planning) Regions."

(ii) Enacting legislation by which prime agricultural lands and second grade agricultural lands would be assessed and taxed on a rural basis.

Aside from exploring the rationale for providing a preferred tax position for farms and farm land the Committee made a number of assumptions before it considered specific solutions to the farm tax problem. Since they may help to explain the recommendations which follow, these assumptions are discussed in some detail.

The problem to be resolved by the Committee is one reflection of a much larger issue, namely, low farm incomes in relation to incomes earned in most industries other than agriculture, and in relation to urban residents.

The farm income problem was analyzed in some detail in the Report of the Special Committee on Farm Income in Ontario, **The Challenge of Abundance,** and it is not the purpose of this Committee to delve into that question again. As a Committee we are aware that the recommendation we make with respect to property taxes on farms and farm land will have little or no effect in much of rural Ontario. This in no way indicates a lack of concern for the farm income problem in those areas; it does indicate that in our opinion the income problem will not be significantly alleviated, much less resolved, in predominantly rural townships through adjustment of property tax payments. On the other hand, in the urban and urbanizing townships where property tax payments are significant in absolute terms as well as large in relation to net income, distinct improvements in the disposable incomes of farm operators can be effected through reductions in property tax payments.

Related to this basic assumption are two others: First that our governments support a "cheap food" policy and any recommendations of this Committee should not conflict with this goal. It is proper that some of the costs associated with a "cheap food" policy should be borne at the municipal level. Second, it is undesirable that the burden of municipal taxes on farms operating with normal efficiency should be so heavy that the farmer is forced to sell his land.

It is not the purpose of this Committee to make recommendations that will subject the 'unearned' gains of land speculators to a greater tax burden than those on other groups of land owners.

One question that was repeatedly raised in the submissions read by the Committee and which was discussed in a great detail was how to deal with land speculation. Eventually the Committee recommended that all farm land,

regardless of ownership be treated the same way. That is, land held by 'bona fide' farmers, by developers and by speculators should receive preferential treatment if it falls under the definition of farm land. The Committee has a number of reasons for adopting this view.

First, there is the problem of identifying speculators and, more important, land held for speculation. There is little question that, to a greater or lesser degree, all farm land in Halton, Peel and York Counties as well as the southern half of Ontario County has an element of speculative value. Such being the case, are the owners of all that land speculators? In the opinion of the Committee that question cannot be answered without determining motives underlying each purchase of land and the expectation of each owner who continues to hold his land. Clearly this is not a realistic request to make of a trained psychiatrist, much less an assessor. To put it another way, the Committee was not able to arrive at a definition of speculation that would, on the one hand distinguish between the 'bona fide' farmer and the speculator; or, on the other, between the developer who holds land for development purposes and the investor who puts his capital into land while it is ripening for urban uses.

A recent trend among farmers close to Metropolitan Toronto, who have sold their farms to developers or speculators, to pay inflated prices for land in more rural areas further complicates the identification problem. By all accepted standards these men are farmers who produce agricultural products, but since they pay more for land than can be justified by its productivity it is equally apparent that they are speculating on future increases in land values as well.

Second, even assuming that an adequate distinction could be made between spectulators and other land holders, the Committee is of the opinion that a tax system which differentiates between them is unduly discriminatory. By giving a preference to farmers the tax system would simply subsidize one particular group of speculator. While not wishing to belabour the point, it is apparent that if a distinction were made for tax purposes, the identification problem

would become even more difficult as speculators attempted to conceal their holdings behind corporate facades or by establishing special financial relationships such as long term options with 'bona fide' farmers.

If land held by speculators, as opposed to farmers, is taxed on the basis of assessments that reflect market value for some urban use, the tax is, in essence, a levy on a potential increase in value imposed before the gain is realized. The Committee rejects such a policy as inequitable. An alternate policy often mentioned is the inclusion of a "roll back" provision, such as the present golf course deferment, on the speculative value of the land. This of course, is simply a tax on capital gains which, in the absence of a general capital gains tax, is discriminatory. Furthermore, the "roll back" policy is not an efficient way to tax the capital gain as the payment is based on the deferred municipal tax rather than the capital gain itself.

In the opinion of the Committee much of the demand to "tax the land speculator" is made on the assumption that their gains escape taxation. Such of course, is not the case with respect to those individuals and corporations that engage in speculation on a large scale. Their operations are regarded as a business and their gains are taxed as income. Only persons who speculate infrequently, often only once, escape the income tax. It goes almost without saying that, for the most part, those individuals are 'bona fide' farmers.

In any event the Committee makes its recommendations on the assumption that the Province of Ontario, either by itself or in conjunction with the Federal Government will introduce a general capital gains tax in the near future.

Finally, as explained in the Report of the Farm Income Committee, **Challenge of Abundance,** January 1969, Chapter 6, changes in farm management practices have encouraged a tendency among farmers to lease land and to invest their capital in machinery and equipment. Since land must be leased from non-farmers, whether speculators, developers, or "gentlemen farmers", any

recommendations that tend to increase the rates at which land is leased could inhibit efficient farming practices.

> Since it is a Provincial Government Programme implemented to achieve provincial, rather than local goals, a preferential property tax system should minimize the role of local official and municipal councils in administering the programme.

With the advent of provincial assessment there are only two areas where local authorities can possibly influence the administration of the tax system. First, the identification of properties eligible for preferential treatment could be determined, at least in part, locally. Secondly, the rate at which the properties are taxed could be left to the discretion of council. While the Committee sees merit in the latter[2]; we are concerned that the provincial programme could be distorted if municipalities through their zoning bylaws or official plans were allowed to determine which land would receive a preference.

For instance, it has been suggested by some observers that any land zoned for some specific urban use not be eligible for a preferential assessment. If this were the situation then a municipality with a development-oriented council or planning board, could well remove land which is actively producing agricultural products, that is 'bona fide' farm land, from any tax relief.

In addition to different zoning policies among municipalities the Committee is also concerned that the tax preference system might be further distorted as the result of differences in the quality of zoning administration.

In suggesting that the identification of farm land not be contingent upon local administrative decisions, the Committee recognizes and supports the right

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[2]See Below with respect to the recommendations concerning the taxation of farm land.

of the municipality to appeal an assessment of land as farm land if the local authorities feel it should not be so classified.

> A system of preferential tax treatment for farm land should not unduly increase the tax burden on other groups of ratepayers nor unduly restrict the revenue base of municipalities.

The system of tax preference recommended by the Committee will have its major impact on farm land in the urban municipalities such as Guelph, Burlington and Whitby which include rural areas, a comparable effect in urbanizing municipalities such as Vaughan Township, Pickering Township, Markham Township or Chinguacousy Township and a somewhat smaller, but still significant, influence in rural-residential municipalities, such as Caledon Township and Uxbridge Township[3].

The tax increase on non-farm properties as a result of the preferential tax system, in urban municipalities, where the proportion of farm assessment is small, will be inconsequential. However, the effect on non-farm properties in urbanizing and rural - residential municipalities will be significant in some instances. In such municipalities the Province should take steps to cushion the impact of any shift in tax burden to non-farm properties that results from our recommended assessment procedure.

In one way our proposal for a transfer payment relates directly to the question of speculation. Municipal representatives with whom we discussed our recommendations were, without exception, concerned that in the absence of a capital gains tax on speculators or a development tax, the municipality would lose tax revenue. A provincial transfer payment is, in effect, a substi-

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[3]The tests of the recommended assessment system which the Committee were able to carry out indicate that the market value of farm land is less than the tax base determined by the soil capability formula in these three classes of municipality.

tute for any such revenue loss and is, in the Committee's opinion, a legitimate cost that should be included when our tax policy is evaluated.
The Committee has also proceeded on the assumption that:

(i) Assessment procedures will be generally improved and standardized as a result of the transfer of assessment administration to the Province;

(ii) With the implementation of Provincial Assessment it will be possible to ensure more uniform administration of policy, including interpretation of court decisions, statutes and regulations than has been the case in the past.

Finally, the Committee wishes to point out that no arbitrary system can have a uniform impact on all farms in the Province. Indeed it is not necessarily desirable that it should. The problem of high property taxes on farms is most acute in municipalities that are not strictly rural and the Committee has devoted its primary attention to such areas. Therefore, one would expect that the most effective solution would have maximum impact in the urban fringes and little or no immediate impact in the rural areas. However, to the extent that presently rural areas urbanize, the policy recommended by the Committee would limit tax increases on farm land.

There is a corollary that should be made explicit. To the degree that a solution is effective, it will reduce the costs of farmers in the urban fringes relatively, as well as absolutely, more than the costs of farmers in more rural areas. A relatively greater reduction in costs for these farmers may well reduce or remove any cost advantages that farmers located outside the areas of urban shadow have had previously. Therefore, implementation of a system of tax preferences may have an adverse impact on farms located outside the ambit of the Metropolitan and urbanized areas of the Province.

DEFINITION OF FARM LAND

In considering the question of who, or what, should obtain preferential property tax treatment, the Committee agreed that the main consideration in defining the recipient should be land. We felt that since it is the tax on land which constitutes the problem it is only reasonable that land should receive the preference. By choosing land rather than the farm or the farmer as the focus of our attention we have ignored the question of ownership. In other words, we have not considered who is a 'bona fide' farmer, rather we have concerned ourselves with what is 'bona fide' farm land. Although, by introducing size and revenue qualifications, we have implicitly defined a farm, this was done as an adjunct to our principal objective of defining farm land.

In considering the definitional problem, the Committee examined very carefully the definition of a farm proposed by the Select Committee of the Legislature on the Report of the Ontario Committee on Taxation[4]. We also looked at the Farm Products Marketing Act as well as statutory definitions in Canadian and U.S. legislation. In large measure, our concept of agricultural use is based on the definition in The Farmland Assessment Act enacted by the State of New Jersey in 1964.

The definition of farm land agreed upon by the Committee is set out in recommendation 1:1.

RECOMMENDATION 1:1

The definition of farm land shall read as follows:

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[4]The recommended definition of a farm is set out on pp. 42-46 of their Report, **Taxation in Ontario: A Program for Reform.**

(i) "farm land" means land which is devoted to the production of plants and animals useful to man including but not limited to: forage and sod crops; grains and feed crops; dairy animals and dairy products; poultry and poultry products; livestock, including beef cattle, sheep, swine, horses, ponies, mules or goats, including the breeding and grazing of any or all of such animals; bees and apiary products; Christmas trees; fur animals; fruits of all kinds, including grapes, nuts and berries; mushrooms, vegetables; nursery, floral and greenhouse products and all other crops regulated under the Farm Products Marketing Act.

(ii) A property shall not be considered "farm land" unless:

(a) it contains at least 11 acres which are contiguous except for division by a street, road, railroad or by water; or

(b) if it contains less than 11 acres, it has produced an average annual gross revenue from the sale of any of the products listed in (i) above of at least $2,000 over the three years preceding the year of assessment or gross revenue from the sale of such products of at least $2,000 in the year preceding the year of assessment.

In addition to farm land the preferential tax treatment should be extended to forest lands and other lands required for conservation programmes. The rationale for this extension is simply that owners of such land should not be forced to dispose of their land or convert it to a more intensive use, because they are unable to pay property taxes on them. In most instances the amount of tax reduction will not be large but the Committee is convinced that municipal tax policy should not discourage owners of forest lands from maintaining the natural cover.

Therefore the Committee recommends as follows:

RECOMMENDATION 1:2

The same preferential tax system as is applied to farm land be given to forest land as well;

RECOMMENDATION 1:3

"Forest land" means lands on which trees and forest products are grown and any lands devoted to and meeting the requirements and qualifications for a conservation or forestry programme pursuant to any Provincial or Federal statute or under the auspices of an agency of the Crown in the right of Ontario or the Crown in right of Canada.

ASSESSMENT OF FARMS

The Committee supports the principle of market value assessment as the basis for all real property taxation in the Province. In the case of farm land the tax base shall be subject to a maximum determined by the application of a schedule of land value rates. The schedule is based on the soil capability ratings developed by the Agricultural Rehabilitation and Development Administration and on land values as shown in the 1966 Census of Agriculture.

RECOMMENDATION 2:1

> The tax base of farm properties be market value assessments subject to a maximum determined by the application to the land of the schedule as set out in Table 1 of this Report and addition of the value of buildings.

Before describing the formula by which the tax base is calculated, the Committee would like to indicate why it recommends market value assessment even though its use in the tax process will be limited.

(i) Market value is the most objective measure of the worth of a property;

(ii) Market value is a widely-accepted concept and is sufficiently well-understood that it will enable the taxpayer to compare his assessment with those on other properties;

(iii) Most farm land will, like all other property, be assessed at its market value;

(iv) Even where market value is greater than the tax base, an appraisal at market value can be of much assistance to the owner, e.g. in

considering offers to purchase; in expropriations; for purposes of succession duties; when applying for mortgage money;

(v) If the Province decides to reimburse municipalities for the revenue loss associated with a system of preferential farm taxation, the difference between the market value assessment and the tax base could be used as a basis for a system of grants.

According to the formula the maximum tax base for a farm is composed of three elements:

(i) the value of the residence;

(ii) the value of the farm out-buildings;

(iii) a land value based on a schedule that reflects both soil capability and value as shown in the 1966 Census of Agriculture.

Residence

The Committee accepts the view expressed by many individual farmers and by farm organizations that the farm residence should be assessed and taxed in the same manner as all other residences.

We feel that while it is not possible to draw a complete parallel between the valuation of farm and other residences, it is feasible to make a meaningful assessment of farm residences as distinct from the rest of the farm. The major difference between a farm residence and an urban residence is the general absence of any information with which to make an estimate of market value attributable to the location of the farm house as a residence. Nevertheless, it is feasible to estimate the depreciated cost of the farm residence using the same procedures as are used for residential properties in general. Accordingly, the Committee feels that the value of farm residences should be estimated in the same manner as other residential properties, subject to the qualification already noted and the further qualification that there may be a need for additional functional or economic obsolescence for many farm residences.

Therefore we recommend as follows:

RECOMMENDATION 2:2

> The value of the farm residence be recorded separately and included as a specific entity in the maximum tax base of the farm.

Farm Out-Buildings

The Committee recognizes that the ratio of investment in farm buildings to investment in land varies considerably according to the use of the farm. In addition, the use to which a farm is put generally affects the amount of utilization that farm buildings receive. Since changes in farm use are more frequent than variation in farm buildings it is common to encounter farms on which the buildings are super-adequate or inadequate. Variations of this nature make it difficult to prepare a schedule of farm land rates that adequately reflects investment in buildings. The Committee therefore feels that such consideration should be omitted entirely from the schedule of land rates and that the value of the farm buildings be included as a separate entity in the maximum tax base.

Therefore we recommend as follows:

RECOMMENDATION 2:3

> The value of the farm out-buildings be recorded separately and included as a specific entity in the maximum tax base of the farm.

Land Rates

The Committee examined the feasibility of using agricultural productivity as the basis for taxing farm land. However, we were persuaded that such aspects of productivity as present use and management are sufficiently variable that it would not be possible to derive a productivity-based schedule of land values which would bear equitably on all farms. The major element in productivity determination and the one which is most stable is the grade of soil capability

for general agricultural purposes. When the Committee investigated the relationship between soil grade and value of land for farm purposes as estimated in the 1966 Census[5] there was a sufficiently high correlation to convince us that a schedule of rates based on the grade of soil would be equitable[6].

A schedule of land rates for assessment purposes is analogous to the use of cost schedules based on such considerations as shape and size to estimate the replacement cost of buildings. A further precedent for this procedure is the schedule used to assess pipelines in Section 41 of The Assessment Act.

Using the relationship of soil capability grades and average census value per acre of farm land a schedule of maximum land assessments was developed by the Committee.

This schedule is shown in Table 1 and its development is explained in Appendix A. At this juncture several points are worthy of note. First, those counties in which the predominant product is some type of specialized crop such as tobacco or fruit; that is the counties of Essex, Kent, Norfolk, Elgin, Brant, Lincoln and Welland were excluded from the analysis. Second, the criteria for evaluating soil capability, while very similar, are not exactly the same as those used by assessors as explained in the **Appraisal Notes for the Assessor**[7]. It will therefore be necessary to adapt the assessors' criteria to those used by Agriculture, that is the Agricultural Rehabilitation and Development Administration soil capability ratings.

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[5]In the 1966 Census the market value of farm (land and building) for agricultural purposes was estimated for all farms outside the areas of urban shadow.

[6]The tables in Appendix A illustrates the relationship between soil capability and market value for agricultural purposes in those rural townships where general mixed farming rather than specialized crops is the major agricultural activity.

[7]See Appendix A, MacKay, **Appraisal Notes for the Assessors,** Department of Municipal Affairs.

Third, the capability ratings do not incorporate organic soils. The Soils Department of the University of Guelph are currently in the process of developing criteria for the ratings for organic soils. These criteria should be finalized early in 1970 and it will be possible to incorporate ratings for organic soils in Table 1 which, of course, are based on mineral soils.

Finally, the data used to develop the Schedule of Farm Land Rates indicates that climatic differentials may have a more significant impact on farm land values than is reflected in the Agricultural Rehabilitation and Development Administration ratings. The Committee had neither the time nor resources to investigate this possibility any further and we strongly urge that, if our assessment recommendations are accepted, the Departments of Agriculture and Municipal Affairs do more research into the relation of climate on farm land values.

Despite these reservations the Committee is convinced that the schedule in Table I is the best that can be developed from the existing information available to us.

TABLE 1

A PROPOSED SCHEDULE OF FARM LAND ASSESSMENT RATES

SOIL GRADE	RATE PER ACRE
1	200
2	185
3	145
4	60
5	30
6	20
7	15

Therefore we recommend as follows:

RECOMMENDATION 2:4

> The maximum assessment of farm land be made according to the schedule in Table 1 and be included as a specific entity in the tax base of the farm.

With the schedule at his disposal, it only remains for the assessor to delineate the various grades of soil on the farm and apply the appropriate rate to each area in order to calculate the tax base applicable to farm land[8].

The tax base formula was tested on a sample of 48 farms in nine townships, all of which have been reassessed in either 1968 or 1969. An attempt was made to select as diverse a sample as possible in terms of size and type as well as extent of improvements. Of the municipalities sampled, the maximum impact of the formula is in Pickering and Chinguacousy Townships with lesser, but still significant, effects in Caledon and Anderdon Townships. In the remaining five townships of Amaranth, Saugeen, Bruce, Sophiasburg and Ameliasburg the tax base as developed from our recommendations is greater than the existing market value assessment and is, therefore, not used for taxation purposes. The results of the survey are shown in Appendix C which shows the percentage and the absolute differential between the tax base and the most recent sale price as well as the assessment.

The impact of the formula would be more equitable if the tax base for each farm were adjusted by the latest municipal equalization factor or farm class assessment-sale ratio for the municipality. There is a precedent for adjusting the tax base by some equalizing ratio in the pipeline legislation as set out in Section 41 of The Assessment Act. Although the information required to

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[8]The calculations for estimating the tax base for a farm is shown in Appendix B.

make the adjustments is not available to the Committee, we feel that such adjustments are warranted and should be made.

Therefore we recommend as follows:

RECOMMENDATION 2:5

> The assessment of farm land as calculated by the application of the soil capability schedule be adjusted annually by the latest municipal assessment equalization factor and that the adjusted value be the maximum tax base.

The Committee is of the opinion that the schedule in Table 1 should be reviewed periodically. The initial review, which should be instituted as soon as possible, would have as its principal objective an examination of the weaknesses in the data used by the Committee and which we have referred to already. Other questions that should be examined are the relation of net farm earnings to farm land values, and the effect of quotas and other marketing rights on farm land values. Subsequent reviews would be aimed at making any adjustments to the rates occasioned by changes in farm land values.

The reviews should be undertaken by the Department of Agriculture with the assistance of the Department of Municipal Affairs.

Therefore we recommend as follows:

RECOMMENDATION 2:6

> The soil capability schedule be reviewed periodically by the Departments of Agriculture and Municipal Affairs in order to reflect changes in the value of farm land for agricultural purposes.

The Committee has recommended that forest land be given the same preferential assessment as farm land. This means that forest land will be assessed on a soil capability rating based on agricultural use. It would, of course, be

more equitable to make forest land assessments according to a soil capability schedule based on forestry use. The Committee understands that such a classification of forest land, while conceptually possible, is not feasible at the present time.

Accordingly, we recommend as follows:

RECOMMENDATION 2:7

> Forest land be assessed on the basis of a soil capability schedule which reflects the value of land for forestry purposes as soon as such a schedule can be developed and that the resultant tax base be the maximum tax base for forest land.

Implicit in all our recommendations respecting the assessment of farm land is the presumption that all property is assessed at market value. The Committee is aware that market value assessments for all properties in the Province may be as much as five years away. Until the assessments at market value are made it could be inequitable in the extreme to implement our recommendations respecting farm assessments if they served to raise farm assessments without corresponding increases in non-farm assessments. There are, however, a number of municipalities in which non-farm assessments are based on market value and the farm assessments on section 35(3) of The Assessment Act. It would be feasible to implement the assessment recommendations in such reassessed municipalities in 1970.

Accordingly we recommend as follows:

RECOMMENDATION 2:8

> That Recommendations 2:1, 2:2, 2:3, and 2:7 be implemented in a municipality at the same time as the entire municipality is assessed on the basis of market value.

AND

RECOMMENDATION 2:9

> That Recommendations 2:1, 2:2, 2:3, 2:4 and 2:7 be implemented in all municipalities now assessed at market value in 1970.

The Committee understands that in some municipalities assessments on farm land are greater than those shown in the schedule of farm land assessment rates. Since these rates are recommended as maximum when the entire municipality is assessed at market value, the Committee feels they should be applied in 1970.

Therefore we recommend:

RECOMMENDATION 2:10

> That recommendation 2:4 be implemented in 1970 in all municipalities not assessed at market value in order to determine the maximum assessment on farm land.

TAXATION OF FARMS

It is possible to tax property on the total assessment as is the case presently for real property in Ontario or on a proportion of the assessment so that the taxable assessment is either greater or less than assessment. That assessment may be at market value or, in the case of our recommended formula for farms, it may be less than market value. Further, it is possible to use different tax rates.

We feel that farms and farm land should be taxed on the same basis as residential property. In the event that the taxable assessment of residential property is expressed as a percentage of market value assessment, say 70 per cent as recommended in the Smith Report, the taxable assessment of farm property should also be 70 per cent of the maximum assessment.

Therefore we recommend as follows:

RECOMMENDATION 3:1

> Having determined the maximum tax base in the manner prescribed heretofore — if a percentage of the assessment of market value is used for the purpose of calculating taxes on residential properties, then such a percentage shall be applied to the maximum tax base for farms and to the market valuation.

The Committee feels that the exemption from certain expenditure, as provided in Section 37 of The Assessment Act (Section 32 of Bill 205) is reasonable and should be continued. The present legislation which makes the granting of these exemptions by council mandatory, is not followed in all municipalities where it might be applied. Therefore, the Committee feels

that the legislation be made permissive, thus recognizing the existing attitudes of several local councils.

Therefore we recommend as follows:

RECOMMENDATION 3:2

Section 37(1) of The Assessment Act be amended by deleting the word "shall" in the sixth line and replaced by the word "may" so that Section 37(1) now reads:

(1) Where lands are used as farm lands (as defined by the Committee) are not benefited to as great an extent by the expenditure of moneys for or on account of any or all of the public improvements, of the municipality as other lands therein generally the council may pass a by-law before the 1st day of March declaring what part, if any, of such lands are exempt or partly exempt from taxation for the expenditures of the municipality incurred for waterworks, fire protection, garbage collection, sidewalks, pavements or sewers, the lighting, oiling, tarring, treating for dust or watering of the streets, regard being had in determining such exemption to any advantage direct or indirect, to such lands arising from such expenditures, or any of them.

Inasmuch as Section 37 makes provision for a reduction in **taxes** the Committee feels that appeals pertaining to it should be handled in the same fashion as applications for cancellation, reduction or refund of taxes under Section 131 of The Assessment Act (Section 78 of Bill 205).

Therefore the Committee recommends as follows:

RECOMMENDATION 3:3

A new clause (dd) be added to Section 131(1) after clause (d) and the new clause shall read:—

(dd) in respect to exemption or partial exemption for any of the reasons set forth in Section 37.

AND

RECOMMENDATION 3:4

Subsection 2 of Section 131 be rewritten to provide for the time for appeals under subsection (dd). The section shall read:—

(2) The application may be made at any time during the year in respect of which the application is made and until the 28th day of February in the following year, except in the case of applications under subsection (dd), in which cases the application may be made within thirty days from the date of the mailing of the final tax bill for the year in respect of which the application is made and notice in writing of the application shall be given to the clerk of the municipality who shall immediately transmit the notice to the regional registrar.

AND

RECOMMENDATION 3:5

Subsections 2, 3, 4, 5, 6, and 7 of Section 37 (subsections 2, 3, 4, and 5 of Bill 205) be repealed.

AND

RECOMMENDATION 3:6

Section 38 of The Assessment Act (Section 32 of Bill 205) be amended in such a manner as to make it consistent with the amended Sections 37 and 131.

When land classified as farm land, and therefore eligible for a lower assessment, is converted to an urban use or is left to revert to wasteland, it should lose its preferred status and be taxed on the basis of its market value. The increased assessment should therefore be added to the collectors roll or assessment roll according to the provisions of Sections 53(1) (b) or 54(1) (b)

of The Assessment Act (Section 45(1) (b) and Section 46(1) (b), of Bill 205).

Therefore we recommend that:

RECOMMENDATION 3:7

> Sections 53 and 54 of The Assessment Act be applied to farm land when it ceases to be devoted to agricultural use.

The Committee studied the provisions of The Assessment Act which pertain to forestry and woodlands, namely Section 4(18), (3(18) of Bill 205) and Section 35(15), (16) and (17) (Section 29(6), (7) and (8) of Bill 205) and, while we agree with their intent we feel that their provisions can be clarified and made to operate more efficiently.

Accordingly we recommend as follows:

RECOMMENDATION 3:8

> Section 4(18) of The Assessment Act be amended by substituting the word "woodlands" for the word "forestry" and also substituting the word "retained" for the word "used" in the first, eighth and ninth lines of the paragraph, also delete all the words after the word "paragraph" in the sixth line. The paragraph will now read:
>
> > One acre retained for woodlands purposes for every ten acres of the farm in one municipality under a single ownership but not more than twenty acres in all, and, where the total acreage consists of more than one separately assessed parcel, the assessor shall treat all such parcels as one parcel for the purpose of determining the exemptions under this paragraph.

AND

RECOMMENDATION 3:9

> Section 35(17) of The Assessment Act be amended by deleting the words

"that are fenced and" in the second last and last lines and the word "are" be substituted therefor:

> In subsection 16, "woodlands" means lands having not less than 400 trees per acre of all sizes, or 300 trees measuring over two inches in diameter, or 200 trees measuring over five inches in diameter, or 100 trees measuring over eight inches in diameter (all such measurements to be taken at four and one-half feet from the ground) of one or more of the following kinds: white or Norway pine, white or Norway spruce, hemlock, tamarack, oak, ash, elm, hickory, basswood, tulip, (white-wood) black cherry, walnut, butternut, chestnut, hard maple, soft maple, cedar, sycamore, beech, black locust, or catalpa, or any other variety that may be designated by Order-in-Council and which lands have been set apart by the owner with the object chiefly, but not necessarily solely, of fostering the growth of the trees thereon and are not used for grazing purposes.

In the past some properties which, under our definition would be regarded as farm land, have been classified as commercial and assessed for business tax. In order to make our position explicit, the Committee is of the opinion that no farm land should be subject to business assessment and taxation.

Therefore we recommend as follows:

RECOMMENDATION 3:10

No property which is classified as farm land should be taxed at the commercial rate or made liable for business assessment and taxation.

CONCLUSIONS

The recommended assessment policy, based as it is on a maximum tax base, confers as much benefit on farm land (and forest land) as is presently feasible at the municipal level. While the benefit conferred may not be deemed sufficient by many owners of farm land, the Committee feels that any further relief must be conferred in some entirely different fashion.

We feel it is appropriate at this time to point out what we see as the principal advantages of the recommended assessment policy.

(i) The formula for calculating the maximum tax base can be applied uniformly across the Province.

(ii) The soil capability schedule provides a maximum tax base on land that is stable. It should be remembered of course that increases in taxes may result from higher assessments on the buildings or from higher tax levies by the municipality.

(iii) The maximum tax base on land excludes any element of value attributable to non-agricultural uses.

(iv) The formula gives maximum benefit where current farm assessments are highest, that is the rural-urban fringes. The formula will automatically come into play as farm land market values rise above values based solely on agricultural productivity.

(v) The assessor does what he is trained to do, that is, determine market value. He applies the formula to determine the maximum tax base by utilizing information already collected in the valuation process.

(vi) The discretion of the assessor in determining the maximum tax base is limited to classifying each property as farm or non-farm and in rating the soil capability of farm land. In both instances there are explicit criteria that he must use. In the event of a dispute the rate-payer, the municipality and the provincial assessment authorities will have definite guidelines to follow.

(vii) The rates in the soil capability schedule can be adjusted as conditions warrant to ensure that the maximum tax base comes into force where, and when, it should.

APPENDIX A

DEVELOPMENT OF THE FARM LAND ASSESSMENT SCHEDULE

The development of a farm land assessment schedule based on soil productivity and market value is premised on the assumption that there is a relationship between the ability of the soil to produce crops and the market value. Before such a schedule can be developed, a soil classification reflecting the ability of various soils to produce crops must be available. In addition, data on the market value of land is required.

The Canada Land Inventory Soil Capability-Classification for Agriculture was used as a basis for relating soil productivity to market value. "The classification system of soil capability for agriculture was developed for use across Canada by the National Soil Survey Committee in co-operation with the federal and provincial ARDA Administrations. It is being applied throughout the agricultural portion and adjoining forest fringe areas of Canada by the Soil Survey organizations with financial support from ARDA[1].

The Soil Capability Classification

The soil capability classification for agricultural purposes is one of a number of interpretive groupings that may be made from soil survey data. As with all interpretive groupings, the capability classification is developed from the soil-mapping units. In this classification, the mineral soils are grouped into seven classes according to their potentialities and limitations for agricultural use.

[1]The Canada Land Inventory, Report No. 2, ARDA, Department of Forestry, Ottawa, Canada.

The first three classes are considered capable of sustained production of common cultivated crops, the fourth is marginal for sustained arable culture, the fifth is capable of use only for permanent pasture and hay, the sixth is capable of use only for wild pasture, while the seventh class is for soils and land types (including rock outcrop and small unmappable bodies of water) considered incapable of use for arable culture or permanent pasture. While the soil areas in classes one to four are capable of use for cultivated crops, they are also capable of use for perennial forage crops. Soil areas in all classes may be suited for forestry, wildlife and recreation. For the purposes of this classification, trees, tree fruits, cranberries, blueberries and ornamental plants that require little or no cultivation are not considered as cultivated or common field crops"[1].

The Soil Science Department, University of Guelph, supplied information on the number of acres of each soil class in each township in Ontario.

Market Value Data

The 1966 Census of Canada was the source of data on market value. "The value of land and buildings was to be the value of the property when being used for agricultural purposes. For areas surrounding cities or towns, the real estate value (for subdivision, industrial or other non-agricultural purposes) of the census-farm property was **not** to be reported"[2].

The question asked by the enumerator as outlined on Form 6 of the Census of Canada, 1966 Agricultural Questionnaire, reads as follows:

"What is your estimate of the present market value of the land and buildings on this holding? (Include value of land and buildings rented from others)"[2].

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[1]The Canada Land Inventory, Report No. 2, ARDA, Department of Forestry, Ottawa, Canada.
[2]1966 Census of Canada, Ontario — Cat. No. 96-607, Vol. IV (4-2).

The enumerators were instructed to explain this question to the farmer and then record his answer. The data was edited before being calculated and adjustments were made where extreme evaluations were observed.

Variations in Land Values

To arrive at the average market value for land and buildings used for agricultural purposes, an attempt was made to mitigate the influence of several factors. Counties such as Essex, Kent, Norfolk, Lincoln and Welland were excluded on the basis that the high proportion of specialized, intensive crops grown in these counties would exert an undue influence, and consequently the data would not reflect the market value of farm land in typically rural areas. Counties such as Wentworth, Halton, Peel and York were excluded from the sample due to their proximity to large centres.

Townships also were excluded from the sample for similar reasons. For instance, the townships of London, North Dorchester and Westminster in Middlesex County, were excluded because of their proximity to the city of London. The township of Caradoc, with predominantly soil class 2, was excluded because of the influence of special crops such as tobacco, fruits and nurseries. In Bruce and Victoria counties the townships of St. Edmunds, Lindsay, Eastnor, Albemarle, Dalton, Longford and Digby, with predominantly class 7 soil, were deleted because of the influence of tourist resorts and hunting lodges.

The townships included in the sample had a preponderance (more than 50 per cent) of their land area in one soil class. It was found that practically none of the townships had over 50 per cent of their land in soil classes 3, 4 or 5.

An examination of the data reveals that townships with a preponderance of one particular soil type tend to be clustered together on a regional basis. For instance, most of the townships in the sample, with over 50 per cent of the total land area classed as No. 1 soil, were located in the counties of Bruce, Huron, Perth and Dufferin. The townships with a predominance of class 2 soil

were situated in the counties of Lambton and Middlesex in Western Ontario and in Russell and Glengarry in Eastern Ontario. Townships with a high proportion of class 6 and 7 soils predominated in the counties of Victoria, Hastings, Frontenac, Lennox and Addington, Prince Edward, Leeds, Lanark and Renfrew.

Soil Class 1 and Market Value

In townships with more than 50 per cent class 1 land, the market value averaged $164 per acre, ranging from $95 to $228 (Table 4).

When the average market value per acre of farm land was related to the proportion of soil class 1 in each township, the market value increased from $130 per acre in these townships with about 50 per cent class 1 soil to approximately $225 in townships with about 80 per cent class 1 soil.

From the data available, it may be concluded that in rural areas not unduly influenced by special crops or urban development, the maximum value of a farm with suitable buildings and all class 1 soil would be approximately $265 per acre (Table 1).

Soil Class 2 and Market Value

The value of land and buildings in the 13 sample townships with more than 50 per cent of their land in class 2 soil, averaged $168 per acre and ranged from a low of slightly more than $100 per acre in Lancaster township, Glengarry to a peak of $251 in Sombra Township, Lambton (Table 1). As the proportion of class 2 soil increased from about 50 per cent to 80 per cent, the average market value increased from $110 per acre to approximately $200 per acre.

Included in this sample are the townships Sombra and Euphemia, Lambton County. The value of land in Sombra at $251 per acre is unduly influenced by a large C.I.L. plant established in the township in 1966, and by the pro-

duction of tomatoes in the Southern part of the township. Tobacco production has moved into the township of Euphemia. The 500 acres of tobacco would have the effect of increasing land values which averaged $223 per acre.

Based on the available data, it would appear that in rural areas not unduly influenced by specialized crops or other outside factors, value of class 2 soil with buildings would amount to approximately $245 per acre (Table 1).

Table No. 1 — Estimated Market Value of Land and Buildings per Acre of Various Soil Classes, 1966 Census of Canada

Soil Class	80 p.c.	100 p.c.
1	225	265
2	200	245
6	27	26
7	25	20

Soil Class 6 and Market Value

There were 10 townships located primarily in Leeds and Victoria Counties which had more than 50 per cent of land classed as No. 6. The average market value of land in these townships amounted to $60 per acre. The market value ranged from a high of $101 per acre in the township of Elizabethtown with slightly more than 50 per cent of its land in soil class 6, to a low of $28 per acre in the township of Carden, Victoria County, with 75 per cent of its land designated as soil class 6 (Table 6).

The market value decreased from an average of $85 per acre in townships with slightly more than 50 per cent of their land in soil class 6, to an average of $27 per acre for townships with about 80 per cent of soil class 6 land. In all probability, the market value of land for many of these townships

included in the sample is unduly influenced by proximity to cities, towns, lakes and rivers. For instance, in the township of Elizabethtown, the farm land values of $101 per acre are no doubt influenced by the proximity of Brockville. Similarly, the values in South Elmsley are influenced by the presence of a lake and the proximity of Smiths Falls.

Since so much of the market value data on class 6 soils is influenced by factors other than agriculture, it is difficult to estimate the value of class 6 soils in strictly rural areas. Since "their physical nature prevents improvement through the use of farm machinery, or the soils are not responsive to improvement practices"[1], their value for agricultural purposes is relatively low. Their ability to produce timber may have more effect on the market value than has agriculture.

In strictly rural areas not influenced by factors such as the proximity to towns and tourist resorts, the data indicate that the market value for land and buildings would amount to approximately $26 per acre (Table 1).

Soil Class 7 and Market Value

Townships with more than 50 per cent of their land classed as soil type 7 were located primarily in the area of the Precambrian Shield. The value of the land and buildings for those townships included in the sample averaged $24 per acre. Lanark Township, Lanark County, with 67 per cent of its soil in class 7, had the highest market value at $38 per acre (Table 7). In comparison, values were the lowest at $11 per acre in the townships of North and South Canonto and Palmerston, Frontenac County, where the proportion of land in soil class 7 averaged 96.4 per cent.

As the proportion of land in soil class 7 increased from about 50 per cent to 100 per cent, the average market value decreased from about $35 per acre to about $20 per acre.

[1]The Canada Land Inventory, Report No. 2, ARDA, Department of Forestry, Ottawa, Canada.

Since class 7 soils "are not capable of use for arable culture or permanent pasture"[1], their value for general agricultural purposes may be practically nil. However, some of these soils are capable of producing timber, which accounts in part for the high average market value of $24 per acre. The value of these lands for recreational purposes cannot be overlooked. It is strongly suspected that the land values in townships with lakes or streams and serviced by roads would be considerably higher than the market value of class 7 soils without these amenities.

Based on the data available, it would appear that the maximum value of class 7 land would amount to approximately $20 per acre (Table 1).

Estimated Land Values, 1966 and 1970

According to census data, the value of land and buildings, in various counties, has increased from 7 to 15 per cent, per year, between 1951 and 1966 (Table 2). However, between 1961 and 1966, the rate of increase has been lower, indicating that land values, in the four-year period 1966 to 1970, may not rise as fast as in previous years.

[1]The Canada Land Inventory, Report No. 2, ARDA, Department of Forestry, Ottawa, Canada

Table No. 2 — Trends in Land Values by Soil Class 1951 to 1966[a]

Counties	1951	1961	1966	P.C. Increase 1951-1966		P.C. Increase 1961-1966	
				Total	Annual	Total	Annual
Soil Class 1							
Perth	83	150	228	175	12	52	10
Huron	62	110	170	174	12	55	11
Soil Class 2							
Lambton	71	129	230	224	15	78	16
Russell	57	97	134	135	9	38	8
Soil Class 6							
Leeds	33	53	70	112	7	32	6
Soil Class 7							
Renfrew	25	40	53	112	7	33	7
Frontenac	29	48	76	162	11	58	12
Lennox & Addington	35	59	80	129	9	36	7
Hastings	28	50	69	146	10	38	8

[a]Census of Canada

Investigations reveal that buildings add approximately 40 per cent to the market value of the land. When the data from the 1966 census was reduced by 40 per cent, the estimated market value of: soil class 1 land amounted to $159 per acre; soil class 2, $147 per acre; soil class 6, $16 per acre and soil class 7, $12 per acre (Table 3).

Table No. 3 — Recommended Assessment Schedule by Soil Class Adjusted to 1970

Soil Class	Value per Acre of Land	
	1966	1970
1	159	200
2	147	185
3	115	145
4	48	60
5	24	30
6	16	20
7	12	15

Since land values have been rising, the 1966 census data has been increased by 25 per cent in order that the recommended farm land assessment schedule would reflect the estimated values of farm land in 1970 (Table 3). The values for soil classes 3, 4 and 5 were estimated from soil ratings and previous research, applied to the 1966 census data[1].

[1]An Economic Classification of Farms in Eastern Ontario, Henry F. Noble, Farm Economics, Co-operatives and Statistics Branch, Ontario Department of Agriculture and Food, May 1965.

Table No. 4 — Townships Included in the Sample for the Development of a Farm Land Assessment Schedule for Ontario — Soil Class 1

County	Township	Proportion of Soil Class 1	Average market value per acre
		p.c.	$
03 Bruce	5 Bruce	57.1	109
	6 Carrick	57.2	149
	12 Kincardine	58.8	126
06 Dufferin	1 Amaranth	50.0	162
	4 Melancthon	50.7	139
14 Grey	12 Proton	61.8	95
19 Huron	4 Grey	54.5	154
	6 Howick	62.0	161
	8 McKillop	73.6	190
	9 Morris	54.8	130
	12 Tuckersmith	70.2	228
	13 Turnberry	61.6	127
	16 W. Wawanosh	55.1	104
28 Middlesex	2 Biddulph	65.3	218
37 Perth	6 Elma	53.7	206
	8 Hibbert	70.6	211
	10 Mornington	59.1	218
	11 Wallace	76.8	221

Table No. 5 — Townships Included in the Sample for the Development of a Farm Land Assessment Schedule for Ontario — Soil Class 2

County	Township	Proportion of Soil Class 2	Average market value per acre
		p.c.	$
03 Bruce	11 Huron	74.0	150
12 Glengarry	3 Lancaster	53.6	102
19 Huron	1 Ashfield	56.6	140
22 Lambton	2 Brooke	61.5	208
	3 Dawn	87.5	197
	4 Enniskillen	77.7	193
	5 Euphemia	81.0	223
	9 Sombra	83.3	251
28 Middlesex	10 Metcalfe	80.0	179
	6 Ekfrid	71.2	194
40 Prince Edward	4 Hillier	67.5	107
43 Russell	1 Cambridge	50.6	110
	4 Russell	61.8	136

Table No. 6 — Townships Included in the Sample for the Development of a Farm Land Assessment Schedule for Ontario — Soil Class 6

County	Township	Proportion of Soil Class 6	Average market value per acre
		p.c.	$
18 Hastings	8 Huntington	52.5	61
23 Lanark	10 Montague	58.2	49
24 Leeds	1 Bastard	65.6	51
	5 S. Elmsley	56.1	80
	7 Kitley	70.2	60
	4 Elizabethtown	50.2	101
40 Prince Edward	6 Marysburg S.	59.5	89
49 Victoria	2 Carden	75.0	28
	1 Bexley	73.9	49
	7 Laxton	83.8	30

Table No. 7 — Townships Included in the Sample for the Development of a Farm Land Assessment Schedule for Ontario — Soil Class 7

County	Township	Proportion of Soil Class 7	Average market value per acre
		p.c.	$
11 Frontenac	1 Barrie	87.6	33
	11 N. & S. Canonto & Palmerston	96.4	11
	3 Clarendon & Miller	94.9	23
	4 Hinchinbrooke	82.8	27
	6 Kennebec	94.4	24
	9 Olden	91.1	19
	10 Oso	91.4	22
18 Hastings	1 Bangor, Wicklow & McClure	77.9	27
	2 Carlow	54.5	37
	17 Cashel & Tudor	93.3	27
	3 Dungannon	61.4	36
	4 Elzevir & Grimsthorpe	89.6	21
	6 Herschel	77.3	29
	12 Mayo	61.7	16
	19 Wollaston	90.8	21
23 Lanark	4 Dalhousie & N. Sherbrooke	85.2	24
	5 Darling	91.5	24
	8 Lanark	66.9	38
	9 Lavant	91.7	21
	13 S. Sherbrooke	90.6	23

Table No. 7 (continued)

25 Lennox & Addington	4 Abinger, Ashby & Denbigh	95.2	18
	8 Anglesea, Effingham & Kaladar	94.8	15
42 Renfrew	5 Bagot & Blithfield	94.5	26
	7 Brougham	96.1	19
	8 Brudenell & Lyndoch	92.2	15
	10 Griffith & Matawatchan	96.1	30
	17 Radcliffe	82.0	19
	18 Raglan	78.6	21
	21 Sebastopol	83.7	22
	22 Sherwood, Jones & Burns	89.1	18

APPENDIX B

CALCULATION OF A FARM ASSESSMENT

Assume the following information pertains to a farm:

(i)	Market Value assessment	$120,000
(ii)	Value of residence	$ 35,000
(iii)	Value of out-buildings	$ 20,000

(iv) Area of farm:

Grade	Area (acres)
1	20
2	40
3	20
4	10
7	10
	100 acres

Then the tax base for the farm would be calculated as follows:

(i)	Residence	$ 35,000
(ii)	Out-buildings	$20,000

(iii) Land

Area	Rate	Base	
20	$200	$4,000	
40	185	7,400	
20	145	2,900	
10	60	600	
10	15	150	$ 15,050
	Total Tax Base		$ 70,050

The difference between the assessment and the tax base is $49,950 or a reduction of 41 per cent in the taxable assessment for the farm compared to what it would be if it were taxed at market value.

APPENDIX C

APPLICATION OF THE PROPOSED METHOD OF ASSESSMENT

PROPERTY ROLL NUMBER	SALE PRICE	ASSESSMENT	TAX BASE	ASSESSMENT-TAX BASE DIFFERENTIAL		SALE PRICE-TAX BASE DIFFERENTIAL	
	$	$	$	$	%	$	%
(i)	(ii)	(iii)	(iv)	(v)	(vi)[4]	(vii)	(viii)[5]
SOPHIASBURG TOWNSHIP, PRINCE EDWARD COUNTY							
01-143	9,500	10,950	13,600	(2,650)	(24.20)	(4,100)	(43.15)
01-166	25,000	24,750	31,795	(7,045)	(28.46)	(6,795)	(27.18)
02-031	7,000	10,400	11,400	(1,000)	(9.61)	(4,400)	(62.85)
02-056	36,000	35,700	44,220	(8,520)	(23.86)	(8,220)	(22.83)
02-033-01	2,000	2,650	2,400	250	9.43	400	20.00
02-037	15,000	2,650	1,760	890	33.58	13,240	88.26
AMELIASBURG TOWNSHIP, PRINCE EDWARD COUNTY							
03-109	16,000	15,350[2]	20,510	(5,160)	(33.61)	(4,510)	(28.18)
03-271	7,000	7,850	9,575	(1,725)	(21.97)	(2,575)	(36.78)
06-192	13,000	15,800	15,650	150	0.94	2,650	20.38
06-193	18,500	16,750	15,580	1,170	6.98	2,920	15.78
07-173	12,600	14,350	16,840	(2,490)	(17.35)	(2,490)	(19.76)
08-282	14,500	14,350	14,805	(455)	(3.17)	(305)	(2.10)
SAUGEEN TOWNSHIP, BRUCE COUNTY							
1-039	9,400	9,375[1]	16,625	(7,250)	77.33	(7,225)	76.86
1-084	14,000	13,350	18,495	(5,145)	38.53	(4,495)	32.10

(i)	$ (ii)	$ (iii)	$ (iv)	$ (v)	% (vi)[4]	$ (vii)	% (viii)[5]
AMARANTH TOWNSHIP, DUFFERIN COUNTY							
3-017	———	12,400[3]	15,850	(3,450)	(27.82)	N/A	N/A
3-182	10,000	11,000[1]	13,810	(2,810)	(25.54)	(3,810)	(38.10)
4-200	12,600	17,200	14,800	2,400	13.95	(2,200)	(17.46)
2-273 & 4	30,000	31,900	32,860	(960)	(3.00)	(2,860)	(9.53)
3-137	33,800	30,900	31,010	(110)	(0.35)	(2,790)	8.25
BRUCE TOWNSHIP, BRUCE COUNTY							
Lot 4 Concession 2	10,000	9,600[1]	16,300	(6,700)	(69.79)	(6,300)	(63.00)
1-076	12,000	10,675[2]	17,735	(7,060)	(66.13)	(5,735)	(47.79)
3-087, 8 & 9	27,500	24,550	36,675	(12,125)	(49.38)	(9,175)	(33.36)
2-145 & 070	45,000	40,425	51,415	(10,990)	(27.18)	(6,415)	(14.25)
3-082	13,500	13,200	21,700	(8,500)	(64.39)	(8,200)	(60.74)
ANDERDON TOWNSHIP, ESSEX COUNTY							
3-1240	20,000	20,010[1]	9,700	10,310	51.25	10,300	51.50
4-810	———	17,480[3]	9,575	7,905	45.22	N/A	N/A
4-820	31,500	28,330	19,540	8,790	31.02	11,960	37.96
3-1210 & 3-1215	37,500	38,960	21,565	17,395	44.64	15,935	42.49
1-200	———	70,170	49,810	20,360	29.01	N/A	N/A
2-430	37,500	36,680	23,060	13,620	37.13	14,440	38.50
PICKERING TOWNSHIP, ONTARIO COUNTY							
001-077	160,000	66,210	52,435	13,775	20.80	107,565	67.22
007-018	65,000	26,095[1]	16,310	9,785	37.49	48,690	74.90
015-365	458,677	50,845	32,725	18,120	35.63	425,952	92.86
009-078 113 & 118	345,050	98,085	73,540	24,545	25.02	271,510	78.68
010-031	120,000	25,740[1]	12,090	13,650	53.03	107,910	89.92
007-194	90,000	45,780	32,885	12,895	28.16	57,115	63.46

(i)	$ (ii)	$ (iii)	$ (iv)	$ (v)	% (vi)[4]	$ (vii)	% (viii)[5]
CALEDON TOWNSHIP, PEEL COUNTY							
00317-010	100,168	20,990[1]	9,095	11,895	56.66	91,073	90.92
02342-010	90,000	11,780	5,100	6,680	56.70	84,900	94.33
00304-000	62,000	33,170	22,670	10,500	31.65	39,330	63.43
01050-000	140,000	67,950	62,450	5,500	8.09	77,550	55.39
02164-000	40,000	22,780[2]	14,370	8,410	36.91	25,630	64.07
02264-000	45,000	34,840	26,540	8,300	23.82	18,460	41.02
CHINGUACOUSY TOWNSHIP, PEEL COUNTY							
01-00164	244,562	70,280	51,530	18,750	26.67	193,032	78.92
01-00640	145,000	51,370	36,225	15,145	29.48	108,775	75.01
01-00331	135,000	53,630	40,930	12,700	23.68	94,070	69.68
02-00777	110,000	42,290	29,970	12,320	29.13	80,030	72.75
02-00077	149,620	37,340	29,895	7,445	19.93	119,725	80.01
04-00073	167,485	57,570[1]	9,805	47,765	82.96	157,680	94.14

[1]No Buildings
[2]No House
[3]No Out-Buildings
[4]Col. (v) ÷ Col. (iii) X 100
[5]Col. (vii) ÷ Col. (ii) X 100